Ref: 2011-028

28 October 2011

To : The President of the Stock Exchange of Thailand

Subject : The 3rd Quarter of 2011 Management Discussion and Analysis (MD&A)

THE RESULTS reviewed by Ernst & Young, show you the latest financial position of the Company. The net profit for Q3 2011 was USD 6.59 million from an average of 22 ships in the quarter. The earnings per day per ship during Q3 came in at USD 10,455, lower than our forecast for this year of USD 11,500 per day per ship. Please keep in mind that Q3 is traditionally the worst quarter for the dry bulk market. In this quarter, average daily operating costs per ship were USD 4,563. This figure is expected to average around USD 4,650 per day per ship for the year as a whole.

THE HARD FACTS	**Q3, 2011**	**Q3, 2010**
Vessel Operating Days	2,024	1,932
Highest Earnings per day per ship in USD	17,873	19,315
Average Earnings per day per ship in USD	10,455	12,456
Operating cost per day per ship in USD	4,563	4,615
EBITDA in million USD (excluding gain on sales of New buildings)	9.25	12.50
Net Profit/(Loss) excluding gain on sales of Newbuildings in million USD	2.28	6.95
Net Profit/(Loss) in million USD	6.59	6.95
Earnings Per Share in Thai Baht	0.19	0.21

PROSPECTS: for the freight market in the long run remain reasonably healthy thanks to China. The current situation, however, is more confused than ever before with a weakening in GDP numbers for the EU as well as the US and the conflicting information on China presented below.

Despite the monetary tightening measures by the Chinese government, (since last October China raised the reserve requirement ratio for its banking system nine times some 450bps and interest rates five times or 125bps) **China's Steel production** and demand has surged ahead with crude steel production in the first nine months reaching 527.56 MMT for an annualized total of 703 MMT or an increase of 12.5% compared to the 626 MMT produced in 2010! Steel prices, on the other hand, have been falling and have now reached a 10 month low which should crimp future Steel production and hence iron ore imports at a time when supply of new ships from the yards would continue at very high levels.

Chinese Iron Ore imports reached 508 MMT by end September for an annualized total import of 677 MMT or an increase of 9.5% compared to the 618 MMT in 2010. **Coal imports into China** reached 120 MMT by end September for an annualized total of 160 MMT or an increase of 10% over the 145 MMT imported in 2010. In a country that currently produces and consumes some 3.6 BMT of Coal per annum, with the figure expected to grow to 4.1 BMT by 2015, even a small change in their Coal requirements via imports could have a dramatic impact on the Dry Bulk freight markets. Bloomberg reported that China's soybean imports, the world's biggest, jumped to a record 52.3 MMT in the year ended 30 September 2011 or 4% higher than the previous year. Imports have surged more than five-fold in the past 10 years and Chinese imports now represent more than half of global trade. Shipments for the year started 1 October 2011 are predicted to climb to 56.5 MMT. All this from China where GDP numbers have dropped from 9.7% in Q1 to 9.5% in Q2 to 9.1% in Q3 with a strong likelihood that the Q4 number would be below the 9% mark. Chinese inflation has stayed stubbornly high at the 6% mark with the Governments target of 4% looking like an impossible target. **Industrial Production numbers in China** have stayed below the 50 mark for four months starting in June indicating a contraction. The number predicted for October however appears to be above the 50 mark indicating that the second largest economy in the world is not heading for a hard landing.

The Supply Side numbers make depressing reading. In the first 9 months of 2011, the dry bulk sector has added 9.7% by DWT (53.72 MDWT) of ships with another 11% (61 MDWT) scheduled for the last quarter of this year. Even if we factor in a 40% slippage factor and assume an additional 5 MDWT of ships are scrapped in Q4, we will still end up with an absolute record increase of about 15.5% by DWT to reach 640 MDWT for 2011. Next year will be another stellar year with 117 MDWT of ships scheduled for delivery. If we add the 40% slippage from the Q4 delivery schedule of 2011 (24.4 MDWT) and assume another record year for scrapping (25 MDWT) we would still end 2012 with a world fleet of 710 MDWT for a growth rate of 11% over the 640 MDWT expected at the end of 2011. However there is some good news in the form of the constraints that are being currently felt in the ship finance world.

The impact of tightening credit is already visible in shipping. HSBC Shipping Services have very succinctly put the shipbuilding versus non availability of finance conundrum into sharp perspective in their recent weekly Points of View. "*To quote one example, a Chinese shipyard is sitting on two defaulted 115,000-dwt bulk carriers that should be ready in September 2012 and May 2013. The buyers claim that they are unable to finance the vessels and have had to pull out, no doubt forfeiting any instalments already paid. This must be the tip of the iceberg. We know of six VLCCs sitting ready at a major Korean shipyard that are in default or in dispute with buyers. They were ordered for about $140m each and now worth arguably $90m each. Many contracts that were ordered before the infamous Lehman line in the sand, 15 September 2008, are delivering now or soon. They are all high priced, and many of them are already very delayed in the hope that the banking market would open up, only to find it closing down. Under formerly typical 4x10/60% payment terms the buyer would pay the first 40% with own equity, expecting to pay the 60% delivery instalment with a bank loan. The assumption of the availability of bank funding close to the time of delivery (for an order that was placed 3-5 years earlier) has in many cases proved to be wrong. In situations where ships are already substantially built, they will be finished and they will appear in the market. Many ships that have not yet been started, or those that are at the early stages of construction, will probably be terminated. The undercapitalised and incorrect assumers will be punished, while the well capitalised and prudent will get their rewards as lack of credit trims deliveries.*"

However for those that have a strong balance sheet credit is still available as we have just signed a facility at 230 basis points over LIBOR for 80% of the purchase price of 4 Supramax ships that we had purchased in Q4'10 for delivery during 2012. Please see the attached article from the latest Marine Money magazine commenting on this funding.

All the above leads us to the conclusion that freight rates should weaken, rather than strengthen, in the near future though the freight market as represented by the BDI has defied gravity and logic for the last three years!

LONG TERM VERSUS SHORT TERM CHARTERS: The long term charters already booked as of 30th September 2011 are shown in the chart below. As can be seen, our current and forward four year (2012 to 2015) rolling book is currently at the 25% level with a visible revenue stream of USD 200 million.

Year	2011	2012	2013	2014	2015
Total Available Days	8,153	12,042	15,721	16,790	16,790
Fixed T/C Days	4,531	2,742	2,524	2,518	2,190
%age Fixed T/C Days	56%	23%	16%	15%	13%
Av. T/C Rate/Day in USD	12,414	13,736	14,642	14,757	14,548
Contract value in USD	$56m	$38m	$37m	$37m	$32m

It is our intention to continue to charter out our ships on long term period contracts whenever practical and possible.

The Fleet Rejuvenation Plan is opportunistically driven as can be seen from the three brand new 57K DWT Supramaxes that we recently purchased from a Chinese yard at USD 26.5m each. We still plan to acquire second hand ships from the market once the BDI has stopped defying gravity and logic. Our rejuvenation plan, once completed, would result in a fleet of about 65 ships with an average age in single digits and an average size of about 30K DWT.

Dividends were paid out for each of the last 18 consecutive quarters starting in 2007. Cash flows and profitability permitting, we hope to maintain this quarterly dividend payout trend in the years to come.

The next SET Opportunity Day featuring PSL will be held at the SET building at 1045 hours on the 7th November 2011. This event is normally very well attended with between 70 and 100 participants from the press, analysts, and fund management and investor communities. We hope that many of you will attend this event where the Company will get a chance to thoroughly discuss the current results, state of the freight markets and also clarify any doubts that may exist. This meeting is web cast live by the SET and if you cannot be there physically you can catch it live via the net.

SHIP SCRAPPING: 118 ships were removed against a total of 38 ships that were added resulting in the world fleet shrinking by 2.6% in Q3 2011 from 3,099 ships to 3,019 in the world fleet in our sector. If the freight markets continue at their current depressed, but volatile levels, we expect the world fleet in our sector to shrink rapidly especially keeping in mind that almost 48% is, or will be, greater than 27 years of age by the end of 2014.

Yours Sincerely,
Precious Shipping Public Company Limited

Khalid Hashim
Managing Director

THE FORTNIGHT IN REVIEW

Sinotrans Shipping Marks Maiden RMB Bond Issue

Sinotrans Shipping Inc has closed the first ever offshore RMB denominated bonds issued ever by a shipping company. The wholly owned listed subsidiary of state-owned Sinotrans & CSC Group was able to generate sufficient demand for the offering, despite the deepening debt crisis in the Western hemisphere. The bookrunners Bank of China (Hong Kong), Bank of China International ("BOCI Asia"), Agricultural Bank of China and Wing Lung Bank were able to price the three year RMB 2.6 billion (USD 408 million) bonds to yield 3.3% within a few hours, and the rapid bookbuilding exercise was deliberate to minimise execution risk amid the volatile markets.

The closing of the offering suggests that there is still appetite for dim sum bonds, although we note that Sinotrans & CSC Group's very own listed subsidiary in Hong Kong, Sinotrans Shipping Limited, had played a role in the success. Sinotrans Shipping Limited subscribed 10.8% of the total offering or an equivalent of RMB 280 million worth of bonds. According to Sinotrans Shipping Limited, the investment in Sinotrans Shipping Inc bonds will provide a stable return under the current market condition, compared to holding on to excess cash in a low interest rate environment. We would highlight that the guarantor for the notes, Sinotrans Shipping (Holdings), is also a major shareholder of Sinotrans Shipping Limited.

Guts of the Deal	
Notes	RMB 2.6 billion (USD 408 million) guaranteed notes due 2014
Issuer	Sinotrans Shipping Inc.
Guarantor	Sinotrans Shipping (Holdings) Limited
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer
Issue Price	100%
Coupon Rate	3.3%
Interest	The Notes will bear interest at the rate of 3.3 per cent per annum, payable semi-annually
Issue Date	3 October 2011
Maturity Date	11 October 2014
Joint Lead Manager and Bookrunners	Bank of China (Hong Kong) Limited, Bank of China International Asia Limited, Agricultural Bank of China Limited, Hong Kong Branch and Wing Lung Bank Limited
Listing	Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited
Source: Company, Marine Money Asia	

Precious Shipping Signs USD 106 million Shipping Loan

Despite the current turmoil in the financial markets, Precious Shipping has secured a USD 85 million pre and post-delivery term loan facility from ING Bank and DnB NOR Bank for the financing of four new 57,000 dwt supramaxes. The facility will provide financing of up to 80% of the total acquisition cost of USD 106.2 million, a high loan to value ratio in today's market. Precious Shipping has previously acquired the shipbuilding contracts last December from the Oswal Group Global, a Singapore based company owned by embattled Australian industrialist Pankaj Oswal.

The ships are believed to be the last of a series of nine supramaxes ordered at Yangzhou Guoyu Shipbuilding by Maruti Shipping, established by Mr. Oswal in 2007. In March 2010, Maruti Shipping took the market by surprise when it committed USD 320 million to invest in nine supramax newbuildings. Plans to take delivery of the vessels were unexpectedly derailed earlier this year when allegations were made against Mr. Oswal that he had used funds from his 65% owned Burrup Fertilisers to pay for Maruti's expenses. Oswal's Burrup was subsequently placed into receivership when it could no longer service outstanding debt of USD 800 million owed to ANZ. Subsequent reports suggested that Maruti Shipping had attempted to seek loans from major international banks to refinance its ship orders in Singapore, but to no avail.

Precious Shipping will be paying USD 26.6 million per vessel as part of its strategy to rejuvenate its fleet by acquiring younger and bigger vessels. The ships are expected to be delivered between March and August 2012. We enclose the main terms and conditions of the latest loan agreement.

THE FORTNIGHT IN REVIEW

<table>
<tr><th colspan="3">Guts of the Deal - Summary of main terms and conditions of the USD 84,960,000 Loan Agreement</th></tr>
<tr><td>Borrowers/Owners:</td><td colspan="2">i) OSW6 Pte. Ltd.
ii) OSW7 Pte. Ltd.
iii) OSW8 Pte. Ltd.
iv) OSW9 Pte. Ltd.</td></tr>
<tr><td>Lenders:</td><td colspan="2">ING Bank N.V., Singapore Branch and DnB NOR Bank ASA, Singapore Branch</td></tr>
<tr><td>Swap Providers:</td><td colspan="2">ING and DnB NOR</td></tr>
<tr><td>Facility Agent:</td><td colspan="2">ING</td></tr>
<tr><td>Security Agent:</td><td colspan="2">DnB NOR</td></tr>
<tr><td>Guarantor:</td><td colspan="2">Precious Shipping Public Company Limited, Thailand (“PSL”)</td></tr>
<tr><td>Purpose:</td><td colspan="2">To provide up to 80% financing of the Total Acquisition Cost of USD 106,200,004 (i.e. USD 26,550,001 per Vessel) of four new 57,000 dwt dry bulk Vessels.
Total Acquisition Cost being the aggregate of:
i) Total purchase price of shares acquired in the 4 Borrowers: USD 6,800,004 and
ii) Total shipbuilding contract price of the Vessels: USD 98,000,000 and
iii) Expenses relating to fulfillment of Performance Standard for Protective Coatings regulations: USD 1,400,000.</td></tr>
<tr><td>Facility Amount:</td><td colspan="2">Maximum USD84,960,000 to be divided into 4 Vessel Tranches comprising:
Pre-Delivery Facility Amount per Vessel Tranche: Up to USD16,060,000
Post-Delivery Facility Amount per Vessel Tranche: Up to USD 21,240,000 or 80% of the Fair Market Value, whichever is lower.
The Facility Amount shall be split among the Lenders as follows:
ING: USD 53,960,000
DnB NOR: USD 31,000,000</td></tr>
<tr><td>Interest Rate:</td><td colspan="2">USD LIBOR plus Margin</td></tr>
<tr><td>Commitment Fees:</td><td colspan="2">50% of margin per annum of undrawn facility payable quarterly</td></tr>
<tr><td>Final Maturity Dates</td><td colspan="2">8 years after Final Drawdown of each Vessel Tranche</td></tr>
<tr><td>Availability Period and Drawdown:</td><td>Pre-Delivery Facility:
Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s)</td><td>Post-Delivery Facility:
100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels</td></tr>
<tr><td>Repayment:</td><td>Pre-Delivery Facility:
The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown</td><td>Post-Delivery Facility:
For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment

The first repayment installment to be due 3 months after the Final Drawdown of each Vessel

At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero</td></tr>
</table>

THE FORTNIGHT IN REVIEW

Guts of the Deal - Summary of main terms and conditions of the USD 84,960,000 Loan Agreement (Con't)		
Security:	Pre-Delivery Facility: - Pledge of shares of the Borrowers; - First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/financial institutions acceptable to the Lenders; - First priority assignment of the Shipbuilding Contracts; and - Corporate Guarantee from the Guarantor	Post-Delivery Facility: - Pledge of shares of the Borrowers; - First priority mortgage on the Vessels; - First priority assignment of earnings and time charters; - First priority charge over the Earnings Accounts with the Security Agent; - First priority assignment of all insurances and requisition compensation of the Vessels; - Corporate Guarantee from the Guarantor; and - All the above Post-Delivery securities to be cross collateralized
Financial Covenants:	The Guarantor shall comply with the following to be measured quarterly based on its consolidated USD Financial Statements: a) Maximum Funded Debt to Total Shareholders' Equity ratio of 2:1; b) Maximum Funded Debt to EBITDA ratio of 5:1; and c) Maintain a minimum Free Cash Balance of USD100,000 per vessel owned by the Precious Group	
Vessel Covenants:	The aggregate market value of the Vessels shall be at least 125% of the aggregate loan outstanding under the Post-Delivery Facility at all times	
Other Covenants:	- The Guarantor shall remain listed on the Stock Exchange of Thailand at all times; - It will be an Event of Default if any of Khalid Moinuddin Hashim, Munir Moinuddin Hashim and Khushroo Kali Wadia cease to play an active role in the management of the Guarantor save by reason of death or incapacity except if a replacement acceptable to the Lenders is in place within 90 days. - No restrictions on dividend payments by PSL. Borrowers allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan	
Source: Company, Marine Money		

Evergreen Marine Inks USD 824 million from Taiwanese lenders

Asian banks, including those based in Southeast Asia, continue to have an appetite for shipping and offshore, but capital is likely to be reserved for the domestic names in their respective countries. Taiwan based Evergreen Marine has announced that it has signed a USD 824 million syndicated loan agreement with nine domestic banks to fund the construction of ten 8,000 TEU post-panamax containerships ordered at Taiwanese shipbuilder CSBC Corp for USD 1.03 billion. The syndicated loan, payable over ten years, was arranged by Bank of Taiwan, Land Bank of Taiwan, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, E.Sun Commercial Bank, and four other undisclosed financial institutions. The ships are scheduled for delivery between 2013 and 2015.

OCBC Provides Mezzanine to GO OFFSHORE

GO Offshore, Otto Marine and OCBC Bank have entered into indicative term sheet for a mezzanine loan of up to USD 20 million by OCBC with an option for OCBC to subscribe for new ordinary shares in GO Offshore or its listing vehicle for up to the facility amount. GO Offshore is a wholly-owned subsidiary of GO Marine Group, a company in which Otto Marine has a 19% shareholding and an option to acquire a further 81% shareholding.

Under the term sheet, the mezzanine loan will be repayable by GO Offshore at the earlier of (a) 36 months from the first drawdown date or (b) the occurrence of a "liquidity event". A "liquidity event" includes an initial public offering by GO Offshore or its listing vehicle and the sale or transfer of all or substantially all the assets of GO Offshore. The facility will commence on the date of the definitive facility agreement to be entered into between GO Marine and OCBC and will expire 36 months from the first drawdown date.

In connection with the mezzanine loan, Otto Marine will provide OCBC (a) certain undertakings to become and remain as the largest shareholder of GO Marine and (b) a corporate guarantee to secure payment of the mezzanine loan.